

Press Release

My Car Private Limited

January 31, 2022



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	48.00	ACUITE BB- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	48.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has assigned the long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) on the Rs.48.00 crore bank facilities of My Car Private Limited(MCPL). The outlook is '**Stable**'.

About the Company

Kanpur based, My Car Private Limited was incorporated in 2000 and the company has dealership of Maruti Suzuki India Ltd (MSIL). The company is currently being managed by Sh. Purshottam Das Garg and Mrs. Kavita Garg. The company currently runs four showrooms, one each at Kanpur, Bandha, Karvi and Farukabad. Additionally, the company has two sales extension counter at Ghatampur and Kayamganj also the company has ten workshops, five in Kanpur and one each in Bandha, Karvi, Ghatampur, Kayamganj and Farukabad. The company also has one dealership under Maruti True Value system in Kanpur and deals in spare parts and accessories manufactured by MSIL.

About the Group

The Group was established in the year 2000 by a leading business family of Kanpur, to provide for as a "One Stop" solution for sale, spare and service of Maruti-Suzuki products.

Over the years the group has diversified into other ventures. The group's business includes sales, spares and servicing of Maruti Suzuki vehicles, as well as of Tata commercial vehicles. The Group also offers extended service contracts. The group is also engaged in the business of purchase and sale of used vehicles under "True Value" brand of Maruti Suzuki India Ltd.

Analytical Approach

Acuité has consolidated the financial and business risk profile of My Car Private Limited and My Car Nexa Private Limited and My Auto World Kanpur Private Limited together referred to as the 'My Car Group' (MCG). The consolidation is in view of the common ownership, cross corporate guarantees extended by the group companies for bank facilities and strong operational and financial linkages within the group. Extent of Consolidation: Full.

Key Rating Drivers

Strengths

>Experience Management and established market positions

MCPL is promoted and managed by Sh. Purshottam Das Garg and Mrs. Kavita Garg, who have around two decades of experience in the automobile dealership industry and have been associated with the company since its inception. This has helped the company to establish a strong market position and maintain long-standing relations with its suppliers. Further, the group has a dedicated team of marketing and sales professionals, service in-charge and customer relation officers. Acuité believes that the group will continue to derive benefit from its experienced management and established market position over the medium term.

> Established relationship with reputed principal supplier

My Car Group is the authorized dealer of Maruti Suzuki India Limited (MSIL) which has been the market leader in passenger car segment for more than three decades. MSIL offers a wide range of cars across different segments including 17 models and over 150 variants. In the domestic passenger car market, MSIL has established market position underpinned by the strong position of its healthy presence in the small, Hatch back, Sedan, and SUV segment in domestic market. Further, the group also has an authorized dealership of Tata Motors (Commercial vehicles).

Weaknesses

Pricing constraints and margin pressure arising out of competition from various auto dealers in the market

The margin on products is set at a particular level by Maruti Suzuki India Limited thereby restricting the company to earn incremental income. With the large dealership network of Maruti Suzuki India Limited, the bargaining power of the dealer with the customer is further reduced. In order to capture the market share, the auto dealers have to offer better buying terms like providing credit period or allowing discounts on purchases which create margin pressure and negatively impact the earning capacity of the company.

Declining scale of Operations

Revenue of the group decreased to Rs. 283.40 Cr in FY2021 as against Rs. 352.36 Cr in FY2020. During, FY21 and FY20 the revenue has declined due to Covid 19 impact and slowdown in the automobile industry. During Q1FY2021 there were hardly any sales due to the nationwide lockdown. Even though there was increased demand after Q1FY21, there was shortage of semiconductor chips in the market which tampered the supply and hence impacted the sales of the group. Despite complete lockdown in April 2020 and partial lockdown subsequently, the group achieved EBITDA margin of 5.54% in FY2021 as against 1.10% in FY2020, this improvement in profitability margin is on account of increased demand and less supply which enabled the group to charge higher margins from customers. Further, Net Profit margin stood improved at 1.17% in FY2021 as against (1.42) % in FY2020, the increase in PAT margin is due to low interest charges. Further, the group has achieved turnover of around Rs. 164.41 Cr as on 30th September 2021.

Moderate Financial Risk Profile

The financial risk profile of the group stood moderate marked by moderate net worth and coverage metrics. The net worth of the group stood moderate at Rs. 24.17 crore as on 31 March 2021 as against Rs. 20.35 crore as on 31 March 2020. The gearing (debt-equity) of the group stood improved at 3.37 times as on 31 March 2021 as against 4.36 times as on 31 March 2020. Further, the promoters have supported the business and infused total of Rs. 18.36 Cr of Unsecured loans. Total debt of the group stood at Rs. 81.45 crore as on 31 March, 2021 which comprises of short term debt of Rs. 51.43 Cr, long term debt of Rs. 8.78 Cr, unsecured loans from directors of Rs. 18.36 Cr and CPLTD of Rs. 2.88 Cr. Interest coverage ratio stood moderate at 1.50 times for FY2021 as against 0.60 times for FY2020. Further, debt service coverage ratio stood at 1.42 times in FY2021 as against 0.74 times in FY2020. Debt-EBITDA stood high at 4.89 times for FY2021 as against 11.05 times for FY2020. Acuité expects the group to maintain its financial risk profile in the absence of major debt funded capex plan and moderate working capital requirement.

Rating Sensitivities

- >Sustained growth in operating performance with improvement in profitability and financial risk profile
- >Slowdown in industry leading to inventory pile up.

Material covenants

None

Liquidity Position: Adequate

The group has adequate liquidity marked by adequate net cash accruals of Rs.4.69 crore as against nil long term debt obligations in FY2021. The cash accruals of the group are estimated to remain in the range of around Rs. 5 crores to Rs. 7 crores during 2022-23 against Rs. 3.22 to Rs. 3.64 Cr of long term debt obligation in the same period. The working capital management of the group is marked by Gross Current Asset (GCA) days of 120 days in FY2021. The average bank limit utilization stood high at ~ 97.90 percent during the last eleven months ended in November 2021. Further, the liquidity of the group is also strengthened by the unencumbered cash of Rs. 4.89 crore. The current ratio of the group stood improved at 1.24 times in FY2021 as against 1.16 times in FY2020. Acuité believes that the liquidity of the group is likely to remain adequate over the medium term on account of moderate cash accruals against nil long debt repayments over the medium term.

Outlook: Stable

Acuité believes that MCG will maintain a 'Stable' outlook over the medium term on the back of its established track record of operations and experienced management. The outlook may be revised to 'Positive' in case the group registers higher-than-expected growth in its revenues and profitability while maintaining its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the group registers lower-than-expected growth in revenues and profitability or in case of deterioration in the group's financial risk profile or significant elongation in the working capital cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	283.40	352.36
PAT	Rs. Cr.	3.32	(5.00)
PAT Margin	(%)	1.17	(1.42)
Total Debt/Tangible Net Worth	Times	3.37	4.36
PBDIT/Interest	Times	1.50	0.60

Status of non-cooperation with previous CRA (if applicable)

ICRA, vide its press release dated October 08, 2021 had denoted the rating of My Car Private Limited as 'ICRA D; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Rating History:
 Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	13.00	ACUITE BB- Stable Assigned
State Bank of India	Not Applicable	Channel/Dealer/Vendor Financing	Not Applicable	Not Applicable	Not Applicable	16.00	ACUITE BB- Stable Assigned
ICICI Bank Ltd	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE BB- Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE BB- Stable Assigned

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in
Rohan Gambhir Management Trainee-Rating Operations Tel: 022-49294065 rohan.gambhir@acuite.in	

About Acuité Ratings & Research

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 8,850 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité